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No.6 Encouraging Entrepreneurialism:  
The Local Enterprise Growth Initiative -  
The Story So Far

**CLES RAPID RESEARCH**



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## Introduction

### *The Problem*

The productivity, competitiveness and enterprise levels in local areas are seen as key to central Government's strive to reduce the output gap between the UK and key European and global competitors. Whilst central and local government economic development spending, programmes and projects have had economic impacts in some of the most deprived areas, there is little evidence to suggest that these have fostered a local entrepreneurial culture. Deprived areas and communities have longstanding physical, economic, social and environmental problems that ensure that there are significant barriers to the formation of new business and the sustainability of existing business. Particular barriers to enterprise development in deprived areas include: traditionally low business survival rates; poor access to, and attraction of, finance; and higher than average crime rates.

### *What is LEGI?*

Introduced in the 2005 Budget, the Local Enterprise Growth Initiative (LEGI) seeks to provide a more focused approach to enterprise development and support in the most deprived areas and in particular to reduce the barriers faced by communities looking to develop business and enterprise in their area. LEGI has a particular focus on 'hard to reach' groups which have traditionally been under-represented and under supported in their entrepreneurial activity. So there is a specific focus on BME groups, women and people from lower income brackets. The national-level aim of LEGI is: *'to release the productivity and economic potential of our most deprived local areas and their inhabitants through enterprise and investment – thereby boosting local incomes and employment opportunities'*. The core aim is supported by three outcomes, which local authorities must use as the basis of their bids for LEGI funds:

- ❑ To increase **total entrepreneurial activity** among the population in deprived local areas;
- ❑ To support the **sustainable growth** – and reduce the failure rate – of locally-owned business in deprived areas;

- ❑ To attract appropriate **inward investment and franchising** into deprived areas, making use of local labour resources.

In addition LEGI is expected to foster enterprise development amongst young people, through dedicated initiatives in schools and youth providers.

The first round bidding process for LEGI started in September 2005 with eligible authorities receiving between £80,000 and £120,000 in pump priming to develop their bids. Each authority then submitted their completed bid to the relevant Government Office. In February 2006, a total of £126million was awarded to ten LEGI schemes across the country<sup>1</sup>. With LEGI now entering the second stage of bidding, the purpose of this Rapid Research is to assess the content of the first round bids and provide a set of recommendations for the local authorities seeking to submit future bids for funding. In particular it will:

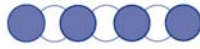
- ❑ look in more detail at the Government's vision for enterprise and why LEGI is needed;
- ❑ analyse the content of successful LEGI bids;
- ❑ ascertain the thoughts of lead local authority officers who have submitted successful LEGI bids. In particular finding out why their bid was successful and to provide examples of projects they believe will be key to fostering enterprise development in their areas;
- ❑ examine the thoughts of unsuccessful first round LEGI authorities;
- ❑ conclude and assess the future of LEGI.

## The Enterprise Baseline and Vision

Enterprise is one of the core drivers of the productivity of the United Kingdom's economy. At present a moderate proportion of the working age population, when compared to European counterparts, are either self-employed in their own

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<sup>1</sup> The successful bid schemes were: Ashfield, Bolsover and Mansfield (joint bid) - £3.8million; Barking & Dagenham - £15.5million; Bradford - £21.4million; Coventry - £12.6million; Croydon - £20.3million; Easington, Derwentside, Wear Valley, Sedgefield (joint bid) - £10.2million; Great Yarmouth - £8.7million; Hastings - £3.6million; St Helens - £13.4million; South Tyneside - £16.2million



gainful business, or work as part of a small business. However, there are core regional disparities in enterprise and small business start-ups, both regionally and locally, within the UK. These regional and local disparities not only impact on the local/regional economy but on the productivity and competitiveness of the UK as a whole. The UK Competitiveness Index<sup>2</sup> produced in April 2005 highlights that in terms of competitiveness the UK has fallen from 9<sup>th</sup> to 17<sup>th</sup> place internationally between 1997 and 2004. This is a result of falling and stagnating productivity; entrepreneurship; business development; skills and education; economic activity and employment; research and development; and trade. This has key implications for policy with central government striving to increase levels of inward investment and nationally increasing levels of productivity and enterprise.

At the regional level, there are also key differences between business start up and enterprise. In the North East, for example, there were 23 business start-ups per 10,000 resident adults in 2003, compared to 62 in London and a United Kingdom average of 40<sup>3</sup>. It is at the local level, however where enterprise development is having the biggest impact on competitiveness gaps. Deprived neighbourhoods and communities face far more significant barriers to enterprise development and sustainability of business than more affluent areas. Enterprise can however contribute significantly to the economic development of deprived areas and thus local, regional and national competitiveness through: improved local productivity; employment and income growth; improved local service provision; multiplier effects and building locally significant supply chains; increasing the local tax base; improving the physical environment; investing in the community; and building social capital.

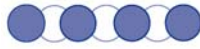
The LEGI programme forms a key part of central Government's enterprise vision at the national, regional and local levels. Working towards an overarching vision '*that anybody with the talent, potential and drive to succeed in business should have the opportunity and the necessary support to do so, regardless of their background or where they live*', LEGI is one of a number of pillars of enterprise support to meet this vision and improve UK competitiveness and productivity. At the national level, Government has strengthened the Enterprise Areas package so that enterprise issues common across many deprived areas are tackled in a joined up way. At the regional level, Government has devolved to regional bodies new responsibilities for the delivery of Business Link and the Phoenix Fund to enable an integrated approach to business support. LEGI aims to build on the principles of the National Strategy for Neighbourhood Renewal to provide encouragement, support and commitment to enterprise development in deprived areas. In particular, LEGI also seeks greater local benefit than previous policy development in deprived areas which has not necessarily initiated wide-ranging employment, business support and enterprise benefits for the local population. The six core principles of LEGI therefore surround:

- ❑ **Effective Targeting** – LEGI must be targeted to ensure that local residents and communities benefit most from local enterprise development activities.
- ❑ **Effective Solutions** – Effective and well-implemented LEGI solutions can address local barriers and achieve real change over the long term. Therefore LEGI policy solutions must work locally, be effectively implemented and be well marketed.
- ❑ **Significant Commitment** – Evaluations have highlighted that long-term funding cycles have greater impact for change in deprived areas. LEGI bids therefore should promote sustainability and have mainstreaming as a key objective.
- ❑ **Strong Local Partnerships** – Bids must be designed to ensure partnership in a deprived area between local and regional agencies, central government organisations, and with a strong lead from local authorities, business and the community.

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<sup>2</sup> Robert Huggins Associates (2005) *The UK Competitiveness Index 2005*. This document can be purchased for £30.00 at: [http://www.hugginsassociates.com/product\\_info.php/cPath/22/products\\_id/46](http://www.hugginsassociates.com/product_info.php/cPath/22/products_id/46)

<sup>3</sup> Source of figures: Small Business Service (2004) *Household Survey of Entrepreneurship 2003 – Full report and Executive Summary*



- *An Integrated Approach* – Bids must be designed to reflect both local supply and demand issues. The best prospects for economic development are often provided by policies that match interventions that target effective labour supply with effective labour demand. LEGI bids should also be matched with the aims, visions and objectives of pan-regional, regional, sub-regional and local strategies.
- *Evaluate and Build Evidence* – Bids must be developed around a solid evidence base, of need and demand. In developing an evidence-based bid, authorities must consider the monitoring and evaluation of their bid in terms of indicators, targets and outcomes.

LEGI marks a significant return to the competitive bidding process for local authorities for regeneration and economic development funding. Each local authority currently receiving Neighbourhood Renewal Fund in England is eligible to bid for LEGI funds, which are guaranteed over a three-year period. Each eligible authority is required to develop a bid that highlights how their bid relates to the core LEGI principles; provides a comprehensive evidence base; is focused on the most economically and socially deprived areas; proposes innovative and potentially effective projects and innovations; and is linked to the enterprise visions of pan-regional, regional, sub-regional and local strategies.

LEGI also seeks to promote the understanding that the challenges of enterprise and economic development and barriers facing communities vary in geographical areas according to a number of factors including, for example, that barriers will differ between ex-coalfield areas, inner-city areas, coastal resorts and edge of town estates. The geographical principle appears to be highlighted in the bids of successful first round schemes. The County Durham bid seeks to promote enterprise in an area where the traditional economy of coal mining has significantly declined and left significant unemployment and workless gaps. The enterprise barriers faced by County Durham vary significantly from Great Yarmouth and Bradford where barriers are related to coastal issues and hard to reach groups respectively. Therefore the effective

geographical and group targeting is key to developing successful bids.

### **The Local Enterprise Growth Initiative – A range of needs**

From the ten successful LEGI bids, a range of different themes can be identified as to why LEGI funding and increased enterprise activity would be beneficial for the local population and particularly hard to reach groups.

#### ***A Declining Manufacturing Base***

A number of the bidders saw declining primary and secondary industry as a key reason for LEGI. Ashfield, Mansfield and Bolsover and the County Durham bid in particular felt that the decline of the traditional industry particularly around coal mining, as well as a historical culture of dependency on industry meant that significant barriers to enterprise development exist, notably around access, aspirations and skills. Great Yarmouth also has a positive history of economic and industrial development. However, the authority currently suffers from low skill levels, low aspirations, a peripheral location, high deprivation, a declining business base and is predominantly a low wage economy. The tourist and offshore energy industries, so long strengths of the local economy are in a period of transition. Similarly, the economy of St Helens has changed dramatically over the last couple of decades, particularly during the 1980s where large scale industry either disappeared or developed new technologies, which increased productivity but reduced the workforce.

#### ***Employment and Economic Development Issues***

Barking and Dagenham has a number of well documented employment and economic development issues, including 9000 people claiming incapacity benefit; a serious breakdown in enterprise and work culture; average earnings less than the London and national average; and a low skills base from which to build enterprise know-how. In terms of entrepreneurial activity St Helens has a very low level of business stock, low rates of self-employment, 29,000 economically inactive residents and low skill levels.



### ***Enterprise Development not matching Enterprise Aspiration***

Despite overall aspirations for enterprise in Bradford being 42% above the regional average, particularly amongst ethnic minority communities, evidence from the Beta Model and the DTI suggests low levels of actual enterprise. Enterprise levels are particularly low in the 20% most deprived Super Output Areas where there are 279 businesses per 10,000 adult population compared to a regional figure of 422 and a national figure of 468.

### ***A Range of Enterprise Barriers***

Like many of the other bidders for LEGI funding, Coventry has low levels of entrepreneurial activity in deprived areas, significant barriers to enterprise development and an extreme and growing gap between the affluent and deprived areas as having a negative impact on the effectiveness of the local economy. South Tyneside has an enterprise deficit which is reflected in an employment base which is heavily dependent on public sector jobs, which has a very small stock of VAT registered businesses, and which has very low business start up rates.

### ***A Need for Integrated Regeneration Activity***

Croydon argue in their bid that LEGI is needed as part of wider activity to reconnect the town centre and the deprived district centre communities in

North West Croydon and Fieldway/New Addington. These areas are characterised by a lack of overall awareness and economic conditions for enterprise; a lack of suitable start-up and growth premises; the exclusion of smaller cultural groups from mainstream business support; and negative perceptions by investors.

### ***Economic and Social Deprivation***

Hastings is a seaside town that has endured many years of decline, economically and socially. With high concentrations of deprivation, in both relative and absolute terms, the gap between Hastings and the rest of the South East is growing. Business start up rates are also lower than any other authority in the South East.

## **The Local Enterprise Growth Initiative – An Analysis of Successful Bids**

Through looking at each of the ten successful LEGI bids, in turn, a number of key areas of focus and several innovative projects emerged as playing a key part in the success of that bid. Figure 1 highlights these key areas, whilst the following section looks at some of the key projects being implemented to meet these objectives.

Figure 1	Ashfield, Bolsover and Mansfield	Barking & Dagenham	Bradford	Coventry	Croydon	County Durham	Great Yarmouth	Hastings	St Helens	South Tyneside
Enterprise Development in Schools and Amongst Young People	✓	✓			✓			✓	✓	
Utilising Outreach Support	✓									
Local Supply Chain	✓		✓	✓				✓		
Supporting Existing Enterprise	✓	✓		✓			✓			
Supporting New Enterprise				✓			✓	✓		
Providing Enterprise Space		✓								
Building Aspirations of individuals, business and social enterprise			✓							
Supporting Hard to Reach Groups			✓			✓				
Addressing Barriers to Local Enterprise			✓					✓	✓	✓
Developing New Networks and Clusters					✓	✓				
Attracting Inward Investment and Franchising					✓	✓		✓	✓	
Partnership Activity with the Private Sector and Voluntary and Community Sector							✓	✓		
Enterprise Promotion and Marketing							✓			
Enterprise Training								✓		

### *Enterprise Development in Schools and Amongst Young People*

**Ashfield, Bolsover and Mansfield** focused on school aged enterprise activities both in and out of school. This has included the development of '*virtual enterprise academies*', with the intended outcome of these academies being to promote entrepreneurship at a young age, within mainstream schooling. **Barking & Dagenham** also saw schools as very important in fostering an enterprise culture and LEGI funding would enable one of the local schools to achieve *Business and Enterprise specialist status* within two years.

### *Utilising Outreach Support*

**Ashfield and Bolsover** will roll out their already successful New Economics Foundation *Bizz Fizz* project which will provide targeted support and advice, for residents in deprived areas, by outreach workers based within their own neighbourhoods.

### *Local Supply Chain*

Employment for local people is one of the three core objectives of **Coventry's** LEGI bid. A key strand of Coventry's bid was the development of a flexible *Community Engagement Fund*. This will provide community based agencies and organisations funding to use in a manner they feel most appropriate to engage with and enthuse local residents about enterprise and employment. A further engagement technique will be the development of the *Jobs Bus*, which will provide an innovative and targeted outreach service to promote employment and enterprise in the most deprived areas.

### *Supporting Existing Enterprise*

**Great Yarmouth** saw the support of existing enterprise and the advice they can offer to potential entrepreneurs as a key part of their bid. One particular aspect is *Management Skills* in finance, marketing and human resources which will be delivered by both evening classes and via an interactive web based CD-ROM. The willingness of existing businesses to contribute will be exploited in the form of a *Mentoring Scheme*. *Virtual Business Support* will use existing and proposed facilities to deliver a raft of business support services to new businesses without the need for a physical presence.

### *Supporting New Enterprise*

**Great Yarmouth** proposes employing personal advisers who will facilitate the design of client's business plans providing key support in a number of programmes: *Personal Skills Training* including confidence building, basic skills and financial awareness; the *Business Planning Programme* offers generic management skills training in modular format; the *Barrier Removal Fund* advocates low level intervention such as payments to lone parents to attend courses and driving lessons to increase mobility; *Start-up Bursaries* will help to overcome problems such as access to financial support.

### *Providing Enterprise Space*

With LEGI funding, **Barking & Dagenham** plan to build *two managed enterprise spaces*; one targeted at young people and within the most deprived ward in Dagenham; and the second, a flagship for enterprise in the community sited in or near to the most deprived Super Output Area.

### *Building Aspirations for Individuals, Business and Social Enterprise*

This project is a cornerstone of **Bradford's** LEGI bid. Split into a youth and adult programme, it seeks to tackle the culture of worklessness and build on existing aspirations. The adult programme will seek to create an *Enterprise Island*, a "dragons den" style project that will be supplemented by a festival of enterprise, promotion of positive local role models and the provision of space and advice within community venues.

### *Supporting Hard to Reach Groups*

A strong onus of the **County Durham** LEGI bid is on hard to reach groups with the '*Start-Up Network*' programme recognising that women, social enterprises, BME residents and other LEGI 'target' groups find conventional business support services inaccessible. The Start Up Network consists of a comprehensive and tailored package of advice, grants, loans and after care support for those residents, in deprived areas, looking to start up in business.



### *Addressing Barriers to Local Enterprise*

The LEGI bid for **South Tyneside** adopted a different approach to the other nine successful schemes by focusing solely on barriers to enterprise. In particular it will roll out the following 10 “big ideas” in order to address the barriers to enterprise:

- ❑ **Enterprise Module** – financed by Business Link Tyne and Wear and working in partnership with the People into Enterprise agency.
- ❑ **Personal Strategies** – Facilitators will be drawn from the local community and will build on the existing knowledge, trust and networks. Grants will be offered to develop and test businesses through the Community Development Finance Initiative (known as MAST) and their TEDCO partners.
- ❑ **Access to Finance** – A range of grants, loans and “non-repayable” loans will be offered to test and develop new businesses. Working with Job Centre Plus this idea will allow potential entrepreneurs to develop within the benefits system.
- ❑ **Microsoft Virtual Business Support** – This virtual system developed by Microsoft will combine with face-to-face support and tackle barriers related to limited knowledge of business and low skill levels.
- ❑ **Role Models and Mentoring** – Local and national role models will be used to inspire the next generation while research and development will be carried out to identify effective mentoring.
- ❑ **Networking** – Provision of networking opportunities including knowledge exchanges (soft networks) and business-to-business support (hard networks).
- ❑ **Management Time-Share** – To address the lack of managerial experience of small businesses this idea will offer managerial support to businesses in the early stages of growth and who cannot afford to buy in their own managerial expertise.
- ❑ **Access to Markets** – This will include the establishment of broader customer bases, a roving sales team to initiate new contracts and an information centre providing up-to-the-minute market data.
- ❑ **Procurement and Sourcing** – Brokers and ICT improvements employed to enhance the

chances of new start-ups securing public sector contracts. Network events used to encourage local purchasing of products and the exploitation of gaps in the supply chain.

- ❑ **Business Growth Programme (BGP)** – Run in partnership with Durham Business School, the BGP will equip entrepreneurs with the skills, tools and knowledge necessary to assess current performance and develop growth strategies.

### *Developing New Networks and Clusters*

Networking, clustering and collaboration are the main aims of one of **Croydon’s** LEGI objectives. Based on the work of SLEMBA (Croydon’s small and medium size enterprise support and training network) and the Asian Resource Centre they will strengthen BME collaboration, local professional service networks and establish a “**voucher system**” to encourage use of local businesses. Croydon plan to build 3 **enterprise opportunity centres** linked to infrastructure developments providing incubation space and shared facilities amongst other things.

### *Attracting Inward Investment and Franchising*

**Croydon** proposes an extensive marketing and PR campaign engaging with local communities and business. Combined with the creation of **Enterprise Zones** offering subsidised opportunities to attract major investment from businesses outside of Croydon, LEGI is seen as a real opportunity to attract investment. This will include partnership with regard to business collaboration between local companies, Croydon Council, Croydon College, the Police and the PCT. St Helens also have a number of projects seeking to attract inward investment.

**Promoting St Helens as a Business Location of Choice** will be an integrated marketing campaign including an enhanced design and branding framework. **Starter Units** will support the private sector in the provision of subsidised rent for up to 2 years for each new business.

### *Partnership Activity with the Private Sector and Voluntary and Community Sector*

In **Hastings**, an accredited programme, **Promoting Social Enterprise**, will provide strategic support for the sector, build capacity within social enterprises and build knowledge of social enterprise potential in the public sector.



### ***Enterprise Promotion and Marketing***

Promotion of enterprise and information on opportunities will be distributed throughout **Great Yarmouth** via a community liaison team, the press, a newsletter and a website.

### ***Enterprise Training***

Hastings have developed two projects targeted at enterprise training activity. The *SME Training Fund*, a demand led programme designed to increase work based training and the *IdeaSpark*, focusing on motivating communities towards enterprise by increasing confidence, providing training and raising awareness of options.

## **A Framework for Success**

From interviews with local authority personnel who have been involved in developing successful LEGI bids and from wider analysis of the bids a number of key issues can be identified which shape success in the competitive bidding process. These issues can be placed into three key themes providing a framework for success which 2<sup>nd</sup> round LEGI bidders should take note of:

### **1. The Bid Context**

- **Understanding the Principles and Objectives of LEGI** - Successful bids clearly understood the 3 core objectives of LEGI as many of these were reflected in the bid documents. Successful authorities also successfully tracked the LEGI bid from evidence, to targeting, to development, to inception and to delivery.
- **Learning the lessons of past interventions** - Strong links to the successes and techniques of existing enterprise and economic development projects as well as partnership working with NRF partnerships and regional development agencies played a key part in successful bids. Showcasing a proven ability to develop, deliver and evaluate enterprise-style interventions played a part in successful proposals for LEGI funding. St Helens in particular used their experience to extend existing projects, try out new avenues and to focus specifically on enterprise initiatives. Their experience and

research was shown in the original nature of their proposed projects, offering the streetwalking technique developed in America, to develop productive links with official bodies; a student debt write off scheme to attract graduates back to the area and grants for transport to enable people in poorly connected areas to access the job opportunities available in the wider area.

- **Linking LEGI to Wider Economic Growth in Deprived Areas** - A number of successful authorities promoted the links between enterprise in deprived areas and economic growth in the wider city and sub regional localities. For example, the London Borough of Barking and Dagenham has high levels of potential growth being brought about by the “Olympic footprint”, which makes Barking & Dagenham a prime location for enterprise development through LEGI activities and wider investment.
- **Linking the bid to national, regional, sub-regional and local strategies** - Whilst strategy integration was a core principle of the LEGI programme, many authorities failed to recognise the importance of linking local enterprise development to regional aspirations and national productivity targets. Successful authorities such as Coventry linked the enterprise objectives of a number of regional, sub-regional and local economic strategies, most notably the Regional Economic Strategy, the Economic Regeneration Strategy for the Coventry, Solihull and Warwickshire sub region and the Local Area Agreement for Coventry to the key objectives of their LEGI bid. The Durham LEGI bid shaped project development alongside the objectives of pan-regional, regional, sub-regional and local strategies, including particular objectives identified in the Northern Way such as ‘attracting and retaining graduates and economic migrants to start up businesses in the North’.
- **Innovation and Recognition of Potential** - The successful authorities also identified innovative projects and linked them to potential wider economic growth. Whilst





many authorities did design innovative and exciting projects they often failed to link them to the need identified in evidence bases as well as wider local objectives and growth.

## 2. Putting the Bid Together

- **Effective Targeting** - The majority of successful LEGI bids had strong links to the enterprise needs, wants and aspirations of 'target' or 'hard to reach' groups. Many bids therefore focused on specific interventions in deprived areas for women, BME groups, people with disabilities, and young people.
- **Consultation and Engagement** - Whilst recognising that local evidence and data are key important aspects of developing successful LEGI bids a further key area surrounds the need to consult with deprived communities about what they need and want. The thinking behind one bid was founded in a number of tried and tested community engagement methods and activities utilised in regeneration and economic development.
- **Involving the Voluntary and Community Sector** - Increasingly at the neighbourhood level, the voluntary and community sector and the social enterprise sector are seen as pillars of the local community. Social Enterprises provide support and services that often have wider community level benefits than larger private firms. Larger voluntary and community sector organisations were also used to shape LEGI bids and interventions particularly in the County Durham bid which worked with Groundwork East and West Durham and the Acumen Development Trust.
- **Using the Local Community to develop the bid** - A key reason for the success of the Great Yarmouth bid surrounds the high level of local community involvement and support in its production. Great Yarmouth used a "more active consultation than any other initiative" and were rewarded by high levels of support displayed throughout the community. Support was so strong that it was actually the community that were drafted in to write the proposal increasing the likelihood that any initiatives implemented would be well received by the local community and are therefore more likely to be successful.
- **Robust Evidence** - Evidence, use of evidence and data sharing have been seen as key factors in successful LEGI bids and across many parts of the bid. Accordingly bids which were poorly evidenced and failed to include a robust evidence base tended to be particularly unsuccessful. A number of key themes related to evidence emerged from the successful bids:
  - Successful bids had a strong flow from evidence to targeting to project development to management to monitoring to evaluation;
  - Successful bids particularly used their pump-priming/seed funding to build and further develop their evidence base and identify gaps in provision;
  - Successful bids included stronger levels of wider involvement from partners including the Prince's Trust, Job Centre Plus and Business Link. This has allowed local authorities and Local Strategic Partnerships to gather and share wider evidence and data;
  - Successful bids also used wider evidence than just data to develop their LEGI bid. They built on the good practice of existing initiatives and networks to support evidence and shape new interventions;
  - Evidence was particularly important in shaping collaboration in joint bids. Successful collaborations often built on existing delivery partnerships, which demonstrated a genuine commitment to working together.
- **Cross Cutting Themes** - The most successful LEGI bids also recognised the potential to link the objectives of enterprise to wider issues such as health and crime.
- **Risk Taking** - Enterprise and economic development targeted at deprived areas is challenging as a result of a number of significant financial, exclusion and crime related barriers. The successful bids were



the ones, which took the risks required to change these barriers and the wider culture or lack of a culture of enterprise.

### 3. Imagination in Intervention

- ❑ *The Use of Outreach Workers* - Ashfield, Bolsover and Mansfield were one of a number of successful authorities, which advocated the use of outreach workers to help engage and promote enterprise in deprived areas. Having dedicated neighbourhood level outreach workers helps to contribute to the key LEGI principle of ensuring local level involvement and helps to facilitate a sustainable project.
- ❑ *Developing Aspirations* - A key focus of the successful Bradford bid was on developing the enterprise aspirations of its BME communities. With a recent survey highlighting the fact that Bradford has enterprise aspirations 42% above the regional average, a key focus of the Bradford LEGI bid is matching those aspirations with business support, advice and dedicated funding.
- ❑ *Clustering Enterprise* - With LEGI seeking to develop networks, partnerships and clusters of enterprise, bids, which developed hubs of enterprise, were looked upon favourably. The creation of enterprise hubs that are based in community spaces and that bring together a number of LEGI projects and engage a wide range of local residents and public/private/voluntary partners provided huge scope for generation of start-ups and growth of existing business.
- ❑ *Partnership Working* - A key reason for the success of many bids was active involvement of wider partners in developing the bid. Building on the theme groups of the Local Strategic Partnership and the development of the fourth block of Local Area Agreements enabled many successful authorities to involve a wide range of partners including local authorities, county councils, Job Centre Plus, the Small Business Service, the private sector and Primary Care Trusts to shape

their bids. For example, in Bradford, a steering group made up of private sector organisations helped to identify challenges and guide the development of the bid. Partnership working was increasingly important in joint bids for LEGI involving multiple authorities such as the County Durham bid. The main reason for the success of the bid has been the ability of the four local authorities, the County Council and other partners to work in partnership to produce a collaborative and joined up bid.

### Why were bids unsuccessful?

With LEGI being a competitive bidding process and with authorities having the opportunity to resubmit bids in this financial year, many unsuccessful authorities were unwilling to disclose information as to why their bid had been unsuccessful at the first round stage. Authorities wanted to utilise these reasons as ways of strengthening their bids rather than disclosing information to other authorities about how not to prepare the bid. However, a number of generic themes have been picked out as to why some bids were unsuccessful.

#### 1. Evidence

The most frequent concern of Government Offices and central government around unsuccessful LEGI bids surrounded evidence:

- ❑ *Poor Evidence* - A key theme in unsuccessful LEGI bids was lack of evidence around all parts of the bid. Predominantly there was a lack of evidence around why there was a real need for LEGI type investment, and the additionality it could bring. In many cases the evidence base sections of the bids were not detailed or robust enough reflecting a lack of understanding about the requirements of the areas and the potential enterprise opportunities.
- ❑ *Patchy Evidence* - Another issue in unsuccessful bids around evidence surrounded the fact that many bids appeared not to be fully thought through. Some bids for funding for example seemed too modest given the scale of the problems



identified in the evidence. There was thus often a lack of connection and underestimation between evidence and the cost of intervention as well as the types of intervention identified.

- ❑ **Available Data** - Unsuccessful bids also often failed to recognise the economic enterprise data already in place at the regional level through the Regional Development Agencies and more locally through organisations such as Job Centre Plus.
- ❑ **Poor Targeting** - In some cases targeting of bids was not clear, with evidence and data often not included in the main body of the report but in a series of annexes. This gave the impression that evidence was perhaps an afterthought in the process with some authorities developing initiatives before consulting evidence on need and targeting.

## 2. Other Factors

Linked to a poor evidence base, a number of other issues also emerged as to why some 1<sup>st</sup> round LEGI bids were unsuccessful,<sup>4</sup> they included:

- ❑ **Some bids simply missed the point of LEGI** - Their proposals neglected to address one or more of the three key LEGI objectives of increasing total entrepreneurial activity; of supporting the sustainable growth and reducing the failure rate of locally owned business in deprived areas; to attract appropriate inward investment and franchising into deprived areas.
- ❑ **A lack of business engagement** - Some bids failed to recognise the role of the private sector, in particular, in fostering enterprise in deprived areas.
- ❑ **A lack of linkage between need and funding** - Linked to a lack of robust evidence some bids for funding seemed too modest given the scale of the problems identified. Some projects had not been efficiently costed with

a feeling that the proposals could not be delivered with such small amounts.

- ❑ **A lack of early partnership work** - Whilst two joint local authority bids were successful, a number of others failed primarily because the local authorities seemed to have started working together too late. Linked to this issue a number of authorities failed to recognise the need for involvement or collaboration with Regional Development Agencies and also the wider community and value partners such as colleges or Job Centre Plus.

## Concluding Thoughts

The first winners of funding for the Local Enterprise Growth Initiative have been described in a recent report from the Institute for Public Policy Research (IPPR)<sup>5</sup> as '*not needy*' in terms of business deprivation. The report states that the competitive bidding process has seen millions of pounds of public money diverted away from the most needy districts and into places that may already have a thriving business base. CLES believes this is too much of a simplification of the LEGI concept and of the bids to date. This CLES research has reinforced the fact that the Local Enterprise Growth Initiative has a far wider remit and greater benefits than improving business bases and reducing levels of business deprivation, particularly around developing an entrepreneurial culture and in social benefit terms. In particular LEGI enables local authorities, their partners and local deprived communities to:

- ❑ Link LEGI to wider economic growth in deprived areas;
- ❑ To contribute to the economic development, enterprise and wider objectives of a host of regional, sub-regional and local strategies;
- ❑ To be innovative, recognise potential and match aspirations;

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<sup>4</sup> These observations are largely sourced from an NRU guidance document but also include the views of CLES and 1<sup>st</sup> round LEGI bid authorities. The NRU guidance is available at:

<http://www.neighbourhood.gov.uk/publications.asp?did=1796>

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<sup>5</sup> Centre for Cities (2006) *City Markets: business location in deprived areas*.

<http://www.ippr.org.uk/centreforcities/publicationsandreports/publication.asp?id=473>



- ❑ To consult, engage and promote partnership working between the private, public and voluntary and community sector;
- ❑ Target areas and groups devoid of enterprise activity;
- ❑ To develop robust evidence bases of local entrepreneurial activity;
- ❑ To develop innovative, inspirational and locally focused projects and interventions.

Analysis of the 10 successful bids has highlighted that local authorities and in particular 2<sup>nd</sup> round LEGI bidders need to consider a range of factors when developing their bid that could lead not only to business development but also to partnership working, policy development, strategy delivery and the fostering of a local entrepreneurial culture, in particular, they need to consider and recognise:

- ❑ The enterprise base and the geographical area where LEGI funding is to be targeted;
- ❑ The target groups for LEGI funding whether it be young people, BME groups, the income deprived or combinations of deprived groups;
- ❑ That aspirations for enterprise in some deprived areas need to be developed and in other areas met;
- ❑ That bids need to be effectively linked not only to the principles and objectives of the national LEGI programme but also to a host of pan-regional, regional and sub-regional strategies. Links to local policy, particularly the fourth block of the Local Area Agreement are also necessary to ensure that any LEGI activity is cross-cutting as well as focused on enterprise;
- ❑ That evidence is a particularly important aspect required to effectively shape the bid and any subsequent interventions and projects;
- ❑ That qualitative evidence is also important in the form of community engagement activity;
- ❑ That partnership working is important particularly in joint local authority bids. Local authorities also need to recognise the need for the inclusion of a number of local partners at all stages of bid development and delivery, most notably the voluntary, community and social enterprise sector and organisations such as Job Centre Plus.

LEGI is a positive and innovative initiative, which has been recognised by local authorities as a tool, which adds value to current Neighbourhood Renewal programmes, interventions and funding. The innovative projects identified in this report from the first round of the initiative suggest that local authorities see LEGI as a real opportunity to develop local entrepreneurial cultures and meet the host of local, regional and national targets particularly around economic development but also around other issues such as worklessness and health.

### **Useful References**

HM Treasury (2005) *Enterprise and Economic Opportunity in Deprived Areas: A consultation on proposals for a Local Enterprise Growth Initiative*.

Department for Communities and Local Government (2006) *Enterprise and Economic Opportunity in Deprived Areas: Local Enterprise Growth Initiative – Round 2 Guidance*.

Copies of the successful bids for round 1 of the Local Enterprise Growth Initiative can be found at: <http://www.neighbourhood.gov.uk/page.asp?id=1744>

Centre for Local Economic Strategies (2005) *Bulletin No.33 The Local Enterprise Growth Initiative*

This piece of rapid research has been prepared by Matthew Jackson, Phil Northall and Victoria Bradford at the Centre for Local Economic Strategies (CLES). For further information on LEGI please contact Matthew or Victoria on 0161 236 7036 or email [victoriabradford@cles.org.uk](mailto:victoriabradford@cles.org.uk) or [matthewjackson@cles.org.uk](mailto:matthewjackson@cles.org.uk)

If you are a local authority seeking to bid for funding in the next round of LEGI, CLES or CLES Consulting can provide advice and assist in developing your bid. For example, CLES has recently produced an evidence resource for eligible LEGI authorities in the North West. For further information on our policy advice services please again contact Matthew or Victoria. CLES can provide policy advice to authorities and



organisations on all aspects of regeneration, local governance and economic development policy.